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Macroeconomic policy questions: international financial system and development

Draft resolution submitted by the Vice-Chairman of the Committee, Mr. Abdellah Benmellouk (Morocco), on the basis of informal consultations held on draft resolution A/C.2/57/L.4

International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled "Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and the promotion of economic and social equity",

Recalling also the United Nations Millennium Declaration, adopted by the Heads of State and Government on 8 September 2000,[1]

Recalling also General Assembly resolution 56/210 B of 9 July 2002, in which the Assembly endorsed the Monterrey Consensus of the International Conference on Financing for Development,[2] which was adopted by the Conference on 22 March 2002, as well as the Johannesburg Plan of Implementation,[3] adopted at the World Summit on Sustainable Development on 4 September 2002,

Reiterating that success in meeting the objectives of development and poverty eradication depends on good governance within each country and at the international level, and stressing that sound economic policies, solid democratic institutions responsive to the needs of the people and improved infrastructure are the basis for sustained economic growth, poverty eradication and employment creation, and that

[1] See resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1), chap. I, resolution 1, annex.

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transparency in the financial, monetary and trading systems and the commitment to an open, equitable, rule-based, predictable and non-discriminatory multilateral trading and financial system are equally essential,

Emphasizing that the international financial system should support sustainable development, sustained economic growth and poverty reduction and allow for the mobilization, in a coherent manner, of all sources of financing for development, including the mobilization of domestic resources, international flows, trade, official development assistance and external debt relief,

Expressing concern at the fact that developing countries have made net outward transfers of financial resources over the last five years, and underlining the need for measures at the national and international levels to reverse this trend, while taking note of efforts to this end that have been made thus far,

Taking note of the report of the Secretary-General entitled "International financial system and development",[4]

1. *Expresses concern* over the difficulties of the present world economic situation, stresses the importance of confronting it through strong cooperative efforts by all countries and institutions, and underlines the importance of continued efforts to improve global economic governance and strengthen the United Nations leadership role in promoting development;

2. *Stresses* the importance of strong domestic institutions to promote business activities and financial stability for the achievement of growth and development, inter alia, through sound macroeconomic policies and policies aimed at strengthening the regulatory systems of the corporate, financial and banking sectors;

3. *Stresses* the special importance of creating an enabling international economic environment through strong cooperative efforts by all countries and institutions to promote equitable economic development in a world economy that benefits all people, and, in this context, invites developed countries, in particular major industrialized countries, which have significant weight in influencing world economic growth, when formulating their macroeconomic policies, to take into account their effects in terms of an external economic environment favourable to growth and development;

4. *Underlines* the importance of promoting financial stability, and reiterates that measures to mitigate the impact of excessive volatility of short-term capital flows and to improve transparency of and information about financial flows are important and must be considered;

5. *Notes* that important international efforts are under way to reform the international financial architecture; emphasizes that those efforts need to be sustained with greater transparency and with the effective participation of developing countries and countries with economies in transition, and that one major objective of the reform is to enhance financing for development and poverty eradication; and underscores furthermore the commitment set forth in paragraph 53 of the Monterrey Consensus[2] to sound domestic financial sectors, which make a

[4] A/57/151.

vital contribution to national development efforts, as an important component of an international financial architecture that is supportive of development;

6. *Takes note* of the communiqué of the Development Committee of 28 September 2002, in particular its paragraph 10, on the need to identify pragmatic and innovative ways to further enhance participation of developing countries and countries with economies in transition in international decision-making and norm-setting, and encourages all relevant international financial institutions to take concrete measures towards this end;

7. *Invites* the International Monetary Fund to continue its work on quotas, and welcomes the continuing consideration by the Fund of its quota review and the reiteration by the International Monetary and Financial Committee that the Fund should have adequate resources to fulfil its financial responsibilities and that quotas should reflect developments in the international economy;

8. *Underlines* the importance of adopting effective measures, including new financial mechanisms, as appropriate, to support developing countries' efforts to achieve sustained economic growth, sustainable development, poverty reduction and the strengthening of their democratic systems, while reaffirming that each country has primary responsibility for its own economic and social development, and that national policies have the leading role in the development process;

9. *Stresses* the need for multilateral financial institutions, in providing policy advice and financial support, to work on the basis of sound, nationally owned paths of reform that take into account the needs of the poor and efforts to reduce poverty, and to pay due regard to the special needs and implementing capacities of developing countries and countries with economies in transition, aiming at economic growth and sustainable development, and that the advice should take into account social costs of adjustment programmes, which should be designed to minimize negative impacts on the vulnerable segments of society, and underscores the importance in this regard of gender-sensitive employment and poverty eradication policies and strategies;

10. *Invites* the multilateral, regional and subregional development institutions to complement national efforts to strengthen domestic financial and regulatory systems with a view to creating a transparent, stable and predictable investment climate and thus attracting and enhancing inflows of productive capital, thereby contributing to increasing economic growth and eradicating poverty;

11. *Invites* multilateral and regional development banks to continue to play a vital role in serving the development needs of developing countries and countries with economies in transition, to contribute to providing an adequate supply of finance to countries that are challenged by poverty, follow sound economic policies and may lack adequate access to capital markets, and to mitigate the impact of excessive volatility of financial markets, and underlines that strengthened regional development banks and subregional financial institutions add flexible financial support to national and regional development efforts, enhancing ownership and overall efficiency, and that they serve as a vital source of knowledge and expertise on economic growth and development for their developing member countries;

12. *Stresses* the need for structural reforms to strengthen corporate governance, accounting and auditing, in particular when inadequate policies can have systemic consequences;

13. *Underscores* that it is essential to ensure the effective and equitable participation of developing countries in the formulation of financial standards and codes, and in this regard underscores that it is also essential to ensure implementation, on a voluntary and progressive basis, as a contribution to reducing vulnerability to financial crisis and contagion, and stresses the need for the Fund to further strengthen its surveillance of all economies, with particular attention to short-term capital flows and their impact;

14. *Notes* the impact of financial crisis or risk of contagion in developing countries and countries with economies in transition, regardless of their size, and in this regard underlines the need to ensure that the international financial institutions, including the International Monetary Fund, have a suitable array of financial facilities and resources to respond in a timely and appropriate way in accordance with their policies;

15. *Stresses*, in the consideration of any new debt resolution mechanism, the importance of a broad discussion in the appropriate forums, with the participation of all interested actors, welcomes the steps taken by the international financial institutions to take into account social aspects and the borrowing costs for developing countries, encourages them to continue their efforts in that regard, and reiterates that the adoption of such a mechanism should not preclude emergency financing in times of crisis;

16. *Encourages* the exploration of ways of generating new public and private innovative sources of finance for development purposes, provided that those sources do not unduly burden developing countries, and takes note of the proposal of using special drawing rights allocations for development purposes, set forth in paragraph 44 of the Monterrey Consensus of the International Conference on Financing for Development;

17. *Requests* the Secretary-General to report to the General Assembly at its fifty-eighth session on the implementation of the present resolution;

18. *Decides* to include in the provisional agenda of its fifty-eighth session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "International financial system and development".